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**RISECOMM**

**瑞斯康**

**RISECOMM GROUP HOLDINGS LIMITED**

**瑞斯康集團控股有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock code: 1679)**

**ANNOUNCEMENT OF THE INTERIM RESULTS  
FOR THE SIX MONTHS ENDED JUNE 30, 2018**

**FINANCIAL HIGHLIGHTS**

- Revenue amounted to approximately RMB174.4 million (corresponding period in 2017: approximately RMB137.2 million), representing an increase of approximately 27.0%.
- Revenue from AMR business segment increased by approximately 26.8% to approximately RMB164.8 million as compared with the corresponding period in 2017.
- Revenue from Smart energy management business segment increased by approximately 31.9% to approximately RMB9.5 million as compared with the corresponding period in 2017.
- Gross profit decreased by approximately 35.0% to approximately RMB47.2 million as compared with the corresponding period in 2017. Gross profit margin decreased from approximately 52.9% for the corresponding period to 27.1% for the Period.
- Net loss for the Period attributable to equity shareholders of the Company amounted to approximately RMB9.2 million (corresponding period in 2017: net profit of approximately RMB1.5 million).
- Basic loss per share for the Period amounted to approximately RMB1.12 cents (corresponding period in 2017: basis earning per share of approximately RMB0.23 cents).
- The Board did not recommend the payment of an interim dividend for the six months ended June 30, 2018.

The board (the “**Board**”) of directors (the “**Directors**”) of Risecomm Group Holdings Limited (the “**Company**”) announces herewith the unaudited consolidated interim results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended June 30, 2018 (the “**Period**”), together with the relevant unaudited financial data for the corresponding period in 2017 or other dates/periods as set out in this announcement for comparative purposes.

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended June 30, 2018 — unaudited

(Expressed in Renminbi)

		<b>Six months ended June 30,</b>	
		<b>2018</b>	2017
	<i>Note</i>	<b>RMB'000</b>	<i>RMB'000</i>
			<i>(Note)</i>
<b>Revenue</b>	4	<b>174,354</b>	137,238
Cost of sales		<u>(127,120)</u>	<u>(64,589)</u>
<b>Gross profit</b>		<b>47,234</b>	72,649
Other income	5	<b>7,935</b>	6,885
Sales and marketing expenses		<b>(25,578)</b>	(25,253)
General and administrative expenses		<b>(26,789)</b>	(30,181)
Research and development expenses		<u>(17,682)</u>	<u>(27,724)</u>
<b>Loss from operations</b>		<b>(14,880)</b>	(3,624)
Finance costs	6(a)	<b>(61)</b>	(207)
Share of (loss)/profit of associate		<b>(66)</b>	22
Change in fair value of contingent share consideration	14	<u><b>320</b></u>	—
<b>Loss before taxation</b>	6	<b>(14,687)</b>	(3,809)
Income tax credit	7	<u><b>5,492</b></u>	<u>5,284</u>
<b>(Loss)/profit for the period</b>		<u><b>(9,195)</b></u>	<u>1,475</u>
<b>Attributable to:</b>			
— Equity shareholders of the Company		<b>(9,215)</b>	1,491
— Non-controlling interests		<u><b>20</b></u>	<u>(16)</u>
<b>(Loss)/profit for the period</b>		<u><b>(9,195)</b></u>	<u>1,475</u>
<b>(Loss)/earnings per share</b>	8		
Basic (RMB cents)		<u><b>(1.12)</b></u>	<u>0.23</u>
Diluted (RMB cents)		<u><b>(1.12)</b></u>	<u>0.23</u>

*Note:* The Group has adopted HKFRS 15 and HKFRS 9 at January 1, 2018. Under the transition methods chosen, comparative information is not restated. See note 3.

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER  
COMPREHENSIVE INCOME**

*For the six months ended June 30, 2018 — unaudited*

*(Expressed in Renminbi)*

	<b>Six months ended June 30,</b>	
	<b>2018</b>	2017
	<b>RMB'000</b>	RMB'000
		<i>(Note)</i>
<b>(Loss)/profit for the period</b>	<b>(9,195)</b>	1,475
<b>Other comprehensive income for the period (after tax and reclassification adjustments)</b>		
Item that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of entities outside mainland China	<u>(1,264)</u>	<u>(1,550)</u>
<b>Total comprehensive income for the period</b>	<u><b>(10,459)</b></u>	<u>(75)</u>
<b>Attributable to:</b>		
— Equity shareholders of the Company	<b>(10,479)</b>	(59)
— Non-controlling interests	<u>20</u>	<u>(16)</u>
<b>Total comprehensive income for the period</b>	<u><b>(10,459)</b></u>	<u>(75)</u>

*Note:* The Group has adopted HKFRS 15 and HKFRS 9 at January 1, 2018. Under the transition methods chosen, comparative information is not restated. See note 3.

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At June 30, 2018 — unaudited

(Expressed in Renminbi)

	<i>Note</i>	At <b>June 30, 2018</b> <i>RMB'000</i>	At December 31, 2017 <i>RMB'000</i> <i>(Note)</i>
<b>Non-current assets</b>			
Property, plant and equipment		<b>31,921</b>	33,509
Intangible assets	9	<b>32,163</b>	13,995
Goodwill	14	<b>37,936</b>	–
Interest in associate		<b>490</b>	556
Deferred tax assets		<b>14,313</b>	7,236
Other non-current assets		–	11,823
		<b>116,823</b>	67,119
<b>Current assets</b>			
Inventories	10	<b>62,829</b>	72,366
Trade and other receivables	11	<b>197,185</b>	158,227
Restricted bank deposits		<b>18,829</b>	–
Cash and cash equivalents		<b>166,746</b>	184,643
		<b>445,589</b>	415,236
<b>Current liabilities</b>			
Trade and other payables	12	<b>156,979</b>	72,556
Income tax payable		<b>7,691</b>	6,806
		<b>164,670</b>	79,362
<b>Net current assets</b>		<b>280,919</b>	335,874
<b>Total assets less current liabilities</b>		<b>397,742</b>	402,993

	<i>Note</i>	At <b>June 30, 2018</b> <i>RMB'000</i>	At December 31, 2017 <i>RMB'000</i> <i>(Note)</i>
<b>Non-current liabilities</b>			
Deferred tax liabilities		9,927	5,412
Deferred income		<u>7,715</u>	<u>6,200</u>
		<u>17,642</u>	<u>11,612</u>
<b>Net assets</b>		<u><b>380,100</b></u>	<u>391,381</u>
<b>Capital and reserves</b>			
	<i>13</i>		
Share capital		71	71
Reserves		<u>379,826</u>	<u>391,127</u>
<b>Total equity attributable to equity shareholders of the Company</b>		<b>379,897</b>	391,198
<b>Non-controlling interests</b>		<u>203</u>	<u>183</u>
<b>Total equity</b>		<u><b>380,100</b></u>	<u>391,381</u>

*Note:* The Group has adopted HKFRS 15 and HKFRS 9 at January 1, 2018. Under the transition methods chosen, comparative information is not restated. See note 3.

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi unless otherwise indicated)

### 1 CORPORATE INFORMATION

The Company was incorporated in the Cayman Islands on August 19, 2015 as an exempted company with limited liabilities under Companies Law, (Cap 22) (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The Company's shares were listed on the Main Board of the Stock Exchange of Hong Kong Limited (the "Stock Exchange") on June 9, 2017.

### 2 BASIS OF PREPARATION

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard ("HKAS") 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). It was authorised by the Board for issue on August 30, 2018.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2017 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2018 annual financial statements. Details of these changes in accounting policies are set out in note 3.

The preparation of an interim financial report in conformity with HKAS 34 requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2017 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

### 3 CHANGES IN ACCOUNTING POLICIES

#### (a) Overview

The HKICPA has issued a number of new HKFRSs and amendments to HKFRSs that are first effective for the current accounting period of the Group. Of these, the following developments are relevant to the Group's financial statements:

- HKFRS 9, *Financial instruments*
- HKFRS 15, *Revenue from contracts with customers*
- Amendments to HKFRS 2, *Share-based payment: Classification and measurement of share-based payment transactions*
- HK(IFRIC) 22, *Foreign currency transactions and advance consideration*

The Group has not adopted any new standard or interpretation that is not yet effective for the current accounting period except for the amendments to HKFRS 9, *Prepayment features with negative compensation* which have been adopted at the same time as HKFRS 9.

The Group's financial statements have been impacted by HKFRS 9 in relation to measurement of credit losses and impacted by HKFRS 15 in relation to presentation of contract liabilities. Details of the changes in accounting policies are discussed in note 3 (b) for HKFRS 9 and note 3(c) for HKFRS 15. Other new HKFRS, and amendments to HKFRS, first adopted for the current accounting period have no significant impact on the Group's results of operations and financial position.

Under the transition methods chosen, the Group recognises cumulative effect of the initial application of HKFRS 9 and HKFRS 15 as an adjustment to the opening balance of equity at January 1, 2018. Comparative information is not restated. The following table gives a summary of the opening balance adjustments recognised for each line item in the consolidated statement of financial position that has been impacted by HKFRS 9 and/or HKFRS 15.

	At December 31, 2017	Impact on initial application of HKFRS 9 <i>(Note 3(b))</i>	Impact on initial application of HKFRS 15 <i>(Note 3(c))</i>	At January 1, 2018
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Deferred tax assets	7,236	123	–	7,359
<b>Total non-current assets</b>	<b>67,119</b>	<b>123</b>	–	<b>67,242</b>
Trade and other receivables	158,227	(950)	–	157,277
<b>Total current assets</b>	<b>415,236</b>	<b>(950)</b>	–	<b>414,286</b>
Trade and other payables	72,566	–	–	72,566
— Receipts in advance	5,226	–	(5,226)	–
— Contract liabilities	–	–	5,226	5,226
<b>Total non-current liabilities</b>	<b>79,362</b>	–	–	<b>79,362</b>
<b>Net current assets</b>	<b>335,874</b>	<b>(950)</b>	–	<b>334,924</b>
<b>Total assets less current liabilities</b>	<b>402,993</b>	<b>(827)</b>	–	<b>402,166</b>
<b>Net assets</b>	<b>391,381</b>	<b>(827)</b>	–	<b>390,554</b>
Retained earnings	69,058	(827)	–	68,231
<b>Total equity attributable to equity shareholders of the Company</b>	<b>391,198</b>	<b>(827)</b>	–	<b>390,371</b>
<b>Total equity</b>	<b>391,381</b>	<b>(827)</b>	–	<b>390,554</b>

Further details of these changes are set out in sub-sections (b) and (c) of this note.

**(b) HKFRS 9, *Financial instruments, including the amendments to HKFRS 9, Prepayment features with negative compensation***

HKFRS 9 replaces HKAS 39, *Financial instruments: recognition and measurement*. It sets out the requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items.

The Group has applied HKFRS 9 retrospectively to items that existed at January 1, 2018 in accordance with the transition requirements. The Group has recognised the cumulative effect of initial application as an adjustment to the opening equity at January 1, 2018. Therefore, comparative information continues to be reported under HKAS 39.

The following table summarises the impact of transition to HKFRS 9 on retained earnings and the related tax impact at January 1, 2018.

	<i>RMB'000</i>
<b>Retained earnings</b>	
Recognition of additional expected credit losses on financial assets measured at amortised cost	(950)
Related tax impact	123
	<hr/>
Net decrease in retained earnings at January 1, 2018	<b>(827)</b>
	<hr/> <hr/>

Further details of the nature and effect of the changes to previous accounting policies and the transition approach are set out below:

(i) *Credit losses*

HKFRS 9 replaces the “incurred loss” model in HKAS 39 with the expected credit loss (“ECL”) model. The ECL model requires an ongoing measurement of credit risk associated with a financial asset and therefore recognises ECLs earlier than under the “incurred loss” accounting model in HKAS 39.

The Group applies the new ECL model to financial assets measured at amortised cost (including cash and cash equivalents, restricted bank deposits, and trade and other receivables).

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive). For fixed-rate financial assets, trade and other receivables and contract assets, the expected cash shortfalls are discounted using effective interest rate determined at initial recognition or an approximation thereof where the effect of discounting is material.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases:

- 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and
- lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Group’s historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument’s credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

Write-off policy

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.



Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

#### Opening balance adjustment

As a result of this change in accounting policy, the Group has recognised additional ECLs amounting to RMB950,000, which has decreased retained earnings by RMB827,000 and increased deferred tax assets by RMB123,000 at January 1, 2018.

The following table reconciles the closing loss allowance determined in accordance with HKAS 39 as at December 31, 2017 with the opening loss allowance determined in accordance with HKFRS 9 as at January 1, 2018.

	<i>RMB'000</i>
Loss allowance at December 31, 2017 under HKAS 39	5,144
Additional credit loss recognised at January 1, 2018 on trade receivables	<u>950</u>
Loss allowance at January 1, 2018 under HKFRS 9	<u><u>6,094</u></u>

#### (ii) *Transition*

Changes in accounting policies resulting from the adoption of HKFRS 9 have been applied retrospectively, except that information relating to comparative period has not been restated. Differences in the carrying amounts of financial assets resulting from the adoption of HKFRS 9 are recognised in retained earnings as at January 1, 2018. Accordingly, the information presented for 2017 continues to be reported under HKAS 39 and thus may not be comparable with the current period.

#### (c) **HKFRS 15, Revenue from contracts with customers**

HKFRS 15 establishes a comprehensive framework for recognising revenue and some costs from contracts with customers. HKFRS 15 replaces HKAS 18, Revenue, which covered revenue arising from sale of goods and rendering of services.

First adoption of HKFRS 15 for the current accounting period has no significant impact on the Group's results of operations and financial position.

Further details of the nature and effect of the changes on previous accounting policies are set out below:

#### (i) *Timing of revenue recognition*

Previously, revenue from sale of goods was recognised at a point in time when risks and rewards of ownership of the goods had passes to the customers, and revenue arising from services was recognised when the relevant service is rendered without further performance obligations.

Under HKFRS 15, revenue is recognised when the customer obtains control of the promised good or service in the contract. This may be at a single point in time or over time. HKFRS 15 identifies the following three situations in which control of the promised good or service is regarded as being transferred over time:

- A. When the customer simultaneously receives and consumes the benefits provided by the entity's performance, as the entity performs;

- B. When the entity's performance creates or enhances an asset (for example work in progress) that the customer controls as the asset is created or enhanced;
- C. When the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

If the contract terms and the entity's activities do not fall into any of these 3 situations, then under HKFRS 15 the entity recognises revenue for the sale of that good or service at a single point in time, being when control has passed. Transfer of risks and rewards of ownership is only one of the indicators that is considered in determining when the transfer of control occurs.

The adoption of HKFRS 15 does not have a significant impact on when the Group recognises revenue.

(ii) *Warranty*

The Group previously made provisions under the warranties it gives on sales of its products taking into account the Group's recent claim experience, which was recognised as sales and marketing expenses.

Under HKFRS 15, if an entity provides a warranty with the sale of a product, then it assesses whether the warranty is a separate performance obligation. Only a warranty that provides a customer with a service in addition to assurance that the product complies with agreed specifications is a performance obligation.

According to the terms of the Group's sales agreements, customers do not have the option to purchase a warranty separately. The nature of the tasks that the entity promises to perform is necessary to assure the products sold to comply with agreed-upon specifications. The Group concludes that the warranty is not a separate performance obligation, therefore the adoption of HKFRS 15 will not materially affect how the Group recognises revenue.

(iii) *Presentation of contract liabilities*

Under HKFRS 15, a receivable is recognised only if the Group has an unconditional right to consideration. If the Group recognises the related revenue before receiving the consideration or being unconditionally entitled to the consideration for the promised goods and services in the contract, then the entitlement to consideration is classified as a contract asset. Similarly, a contract liability, rather than a payable, is recognised when a customer pays consideration, or is contractually required to pay consideration and the amount is already due, before the Group recognises the related revenue. For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

To reflect these changes in presentation, the Group has made the following adjustment at January 1, 2018, as a result of the adoption of HKFRS 15:

- "Receipts in advance" amounting to RMB5,226,000 as at January 1, 2018, which was mainly related to sales of goods and maintenance service included in trade and other payables is now presented as contract liabilities.

**(d) Amendments to HKFRS 2, *Share-based payment: Classification and measurement of share-based payment transactions***

This amendment provides guidance on the accounting for:

- the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments;
- share-based payment transactions with a net settlement feature for withholding tax obligations; and
- a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

The Group concludes the adoption of Amendments to HKFRS 2 does not have any material impact on the financial position and the financial result of the Group as all share options issued by the Group were equity-settled.

**(e) HK(IFRIC) 22, *Foreign currency transactions and advance consideration***

This interpretation provides guidance on determining “the date of the transaction” for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) arising from a transaction in which an entity receives or pays advance consideration in a foreign currency.

The Interpretation clarifies that “the date of the transaction” is the date on initial recognition of the non-monetary asset or liability arising from the payment or receipt of advance consideration. If there are multiple payments or receipts in advance of recognising the related item, the date of the transaction for each payment or receipt should be determined in this way. The adoption of HK(IFRIC) 22 does not have any material impact on the financial position and the financial result of the Group.

## **4 REVENUE AND SEGMENT REPORTING**

**(a) Disaggregation of revenue**

The Group is principally engaged in the design, development and sale of power-line communication (“**PLC**”) products as well as the provision of relevant maintenance services in connection with the deployment and upgrades of Auto Meter Reading (“**AMR**”) systems by power grid companies in the People’s Republic of China (“**PRC**”) and for a wide range of applications related to energy saving and environmental protection.

Disaggregation of revenue from contracts with customers by major products or service lines is as follows:

	<b>Six months ended June 30,</b>	
	<b>2018</b>	2017
		<i>(Note)</i>
	<b>RMB'000</b>	<b>RMB'000</b>
<b>Revenue from contracts with customers within the scope of HKFRS 15 and recognised at a point in time</b>		
Disaggregated by major products of service lines		
AMR business		
— PLC Integrated circuits (“ICs”)	<b>27,645</b>	54,316
— PLC modules	<b>53,560</b>	57,655
— Collectors	<b>68,975</b>	1,461
— Other AMR products	<b>4,464</b>	4,717
— AMR maintenance services	<b>10,199</b>	11,876
	<hr/>	<hr/>
Sub-total	<b>164,843</b>	130,025
Smart energy management business	<b>9,511</b>	7,213
	<hr/>	<hr/>
<b>Total</b>	<b>174,354</b>	137,238
	<hr/> <hr/>	<hr/> <hr/>

*Note:* The Group has adopted HKFRS 15 using the cumulative effect method. Under this method, the comparative information is not restated and was prepared in accordance with HKAS 18.

**(b) Segment reporting**

The Group manages its businesses by business lines. In a manner consistent with the way in which information is reported internally to the Group’s most senior executive management for the purposes of resources allocation and performance assessment, the Group has presented the following two reportable segments. No operating segments have been aggregated to form the following reportable segments.

- AMR business: this segment includes design, development and sale of power-line communication products and providing maintenance services in connection with the deployment and upgrading of AMR systems by power grid companies in the PRC.
- Smart energy management business: this segment includes design, development and sale of energy saving and environmental protection products and solutions used in streetlight control, building energy management, photovoltaic power management, etc.

*(i) Segment results, assets and liabilities*

For the purposes of assessing segment performance and allocating resources between segments, the Group’s senior executive management monitors the results attributable to each reportable segment based on revenue less cost of sales and sales and marketing expenses. General and administrative expenses and research and development expenses are not allocated to segments.

A measurement of segment assets and liabilities is not provided regularly to the Group’s most senior executive management and accordingly, no segment assets or liabilities information is presented.

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resources allocation and assessment of segment performance during the period is set out as below:

	<b>Six months ended June 30, 2018</b>		
	<b>AMR business RMB'000</b>	<b>Smart energy management business RMB'000</b>	<b>Total RMB'000</b>
Reportable segment revenue	164,843	9,511	174,354
Reportable segment cost of sales	(121,727)	(5,393)	(127,120)
Reportable segment sales and marketing expenses	(22,591)	(2,987)	(25,578)
Reportable segment profit	<u>20,525</u>	<u>1,131</u>	<u>21,656</u>
	<b>Six months ended June 30, 2017 (Note)</b>		
	<b>AMR business RMB'000</b>	<b>Smart energy management business RMB'000</b>	<b>Total RMB'000</b>
Reportable segment revenue	130,025	7,213	137,238
Reportable segment cost of sales	(59,409)	(5,180)	(64,589)
Reportable segment sales and marketing expenses	(24,056)	(1,197)	(25,253)
Reportable segment profit	<u>46,560</u>	<u>836</u>	<u>47,396</u>

*Note:* The Group has adopted HKFRS 15 using the cumulative effect method. Under this method, the comparative information is not restated and was prepared in accordance with HKAS 18.

(ii) *Reconciliation of reportable segment profit to the Group's loss before taxation*

	<b>Six months ended June 30,</b>	
	<b>2018 RMB'000</b>	<b>2017 RMB'000</b>
Reportable segment profit	21,656	47,396
Other income	7,935	6,885
General and administrative expenses	(26,789)	(30,181)
Research and development expenses	(17,682)	(27,724)
Finance costs	(61)	(207)
Share of (loss)/profit of associate	(66)	22
Change in fair value of contingent share consideration	320	–
Loss before taxation	<u>(14,687)</u>	<u>(3,809)</u>

(iii) *Information about geographical area*

The geographical location of revenue is based on the selling location. The geographical location of the specified non-current assets is based on the physical location of the asset, in the case of property, plant and equipment, and the location of the operation to which they are allocated, in the case of intangible assets. For the six months ended June 30, 2018 and 2017, all of the Group's revenue was generated from customers in the PRC, and substantially all specified non-current assets were located in the PRC.

## 5 OTHER INCOME

	Six months ended June 30,	
	2018	2017
	RMB'000	RMB'000
Interest income from bank deposits	323	179
Government grants		
— Unconditional subsidies ( <i>note (a)</i> )	4,769	5,113
— Conditional subsidies	1,485	779
Net exchange gain	1,284	844
Others	74	(30)
	<u>7,935</u>	<u>6,885</u>

### (a) Government grants

Unconditional government grants mainly represent value-added tax (“VAT”) refund on self-developed software embedded in AMR and smart energy management products in accordance with the relevant tax law.

## 6 LOSS BEFORE TAXATION

Loss before taxation is arrived at after charging:

### (a) Finance costs

	Six months ended June 30,	
	2018	2017
	RMB'000	RMB'000
Interest expense on promissory notes	61	—
Interest on interest-bearing loan	—	207
	<u>61</u>	<u>207</u>

### (b) Other items

	Six months ended June 30,	
	2018	2017
	RMB'000	RMB'000
Cost of inventories	127,531	65,258
Depreciation and amortisation	4,686	3,546
Operating lease charges	4,018	4,196
Product warranty costs	1,309	1,372
Impairment losses of trade receivables	2,783	651
Listing expenses	—	12,916
	<u>—</u>	<u>12,916</u>

## 7 INCOME TAX CREDIT

Income tax credit in the consolidated statement of profit or loss represents:

	<b>Six months ended June 30,</b>	
	<b>2018</b>	<b>2017</b>
	<b>RMB'000</b>	<b>RMB'000</b>
<b>Current tax:</b>		
Provision for current income tax for the period	1,493	2,829
<b>Deferred tax:</b>		
Origination and reversal of temporary differences	<u>(6,985)</u>	<u>(8,113)</u>
	<u><b>(5,492)</b></u>	<u><b>(5,284)</b></u>

## 8 (LOSS)/EARNINGS PER SHARE

### (a) Basic (loss)/earnings per share

The calculation of basic (loss)/earnings per share is based on the loss attributable to ordinary equity shareholders of the Company of RMB9,215,000 (six months ended June 30, 2017: profit attributable to ordinary equity shareholders of the Company of RMB1,491,000) and the weighted average of 823,376,000 ordinary shares in issue during the six months ended June 30, 2018 (six months ended June 30, 2017: 637,009,990 shares after adjusting for capitalisation issue).

	<b>Six months ended June 30,</b>	
	<b>2018</b>	<b>2017</b>
Shares issued on January 1,	<b>810,877,303</b>	18,128,214
Effect of equity-settled share options exercised	–	200,000
Effect of capitalisation issue on June 9, 2017	–	581,671,786
Effect of vested equity-settled share options	<b>12,498,697</b>	12,258,609
Effect of shares issued by initial public offering on June 9, 2017	–	24,309,392
Effect of shares issued under exercise of over-allotment option on June 23, 2017	–	441,989
	<u><b>823,376,000</b></u>	<u>637,009,990</u>

### (b) Diluted (loss)/earnings per share

The calculation of diluted (loss)/earnings per share is based on the loss attributable to ordinary equity shareholders of the Company of RMB9,215,000 (six months ended June 30, 2017: profit attributable to ordinary equity shareholders of the Company of RMB1,491,000) and the weighted average of 823,376,000 shares for the six months ended June 30, 2018 (six months ended June 30, 2017: 640,871,791 shares).

	<b>Six months ended June 30,</b>	
	<b>2018</b>	<b>2017</b>
Weighted average number of ordinary shares (basic)	<b>823,376,000</b>	637,009,990
Effect of unvested equity-settled share options	–	3,861,801
	<u><b>823,376,000</b></u>	<u>640,871,791</u>

## 9 INTANGIBLE ASSETS

	Software RMB'000	Capitalised development costs RMB'000	Non-compete undertakings RMB'000	Customer relationship RMB'000	Total RMB'000
<b>Cost:</b>					
At January 1, 2017	10,023	–	–	–	10,023
Additions	730	7,287	–	–	8,017
<b>At December 31, 2017 and January 1, 2018</b>	<u>10,753</u>	<u>7,287</u>	<u>–</u>	<u>–</u>	<u>18,040</u>
Acquisition of subsidiaries (Note 14)	3	–	7,320	11,627	18,950
Additions	28	1,196	–	–	1,224
<b>At June 30, 2018</b>	<u>10,784</u>	<u>8,483</u>	<u>7,320</u>	<u>11,627</u>	<u>38,214</u>
<b>Accumulated depreciation:</b>					
At January 1, 2017	(1,826)	–	–	–	(1,826)
Charge for the year	(2,219)	–	–	–	(2,219)
<b>At December 31, 2017 and January 1, 2018</b>	<u>(4,045)</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>(4,045)</u>
Charge for the period	(1,116)	–	(244)	(646)	(2,006)
<b>At June 30, 2018</b>	<u>(5,161)</u>	<u>–</u>	<u>(244)</u>	<u>(646)</u>	<u>(6,051)</u>
<b>Net book value:</b>					
<b>At June 30, 2018</b>	<u>5,623</u>	<u>8,483</u>	<u>7,076</u>	<u>10,981</u>	<u>32,163</u>
<b>At December 31, 2017</b>	<u>6,708</u>	<u>7,287</u>	<u>–</u>	<u>–</u>	<u>13,995</u>



## 10 INVENTORIES

Inventories in the consolidated statement of financial position comprise:

	At <b>June 30,</b> <b>2018</b> <i>RMB'000</i>	At December 31, 2017 <i>RMB'000</i>
Raw materials	21,007	26,280
Work in progress	20,939	25,543
Finished goods	28,939	24,755
	<u>70,885</u>	<u>76,578</u>
Provision for diminution in value of inventories	<u>(8,056)</u>	<u>(4,212)</u>
	<u><u>62,829</u></u>	<u><u>72,366</u></u>

## 11 TRADE AND OTHER RECEIVABLES

As of the end of the reporting period, the ageing analysis of trade receivables (which are included in trade and other receivables), based on invoice date and net of allowance for doubtful debts, is as follows:

	At <b>June 30,</b> <b>2018</b> <i>RMB'000</i>	At December 31, 2017 <i>RMB'000</i>
Within 6 months	118,200	101,662
6 to 12 months	28,008	15,819
Over 12 months	16,389	18,712
	<u>162,597</u>	<u>136,193</u>
Trade receivables, net of allowance for doubtful debts	162,597	136,193
Bills receivables	10,205	5,615
Deposits and prepayments	17,762	10,263
Income tax recoverable	2,692	1,205
Other receivables	3,929	4,951
	<u>197,185</u>	<u>158,227</u>
Total trade and other receivables	<u><u>197,185</u></u>	<u><u>158,227</u></u>

## 12 TRADE AND OTHER PAYABLES

As of the end of the reporting period, the ageing analysis of trade payables (which are included in trade and other payables), based on invoice date, is as follows:

	<i>Note</i>	At <b>June 30,</b> <b>2018</b> <b>RMB'000</b>	At December 31, 2017 <b>RMB'000</b>
Within 3 months		<b>41,908</b>	42,949
After 3 months but within 6 months		<b>10,255</b>	1,344
After 6 months but within 1 year		<b>1,888</b>	60
Over 1 year but within 2 years		<b>256</b>	355
Total trade payables		<b>54,307</b>	44,708
Bills payable		<b>18,481</b>	–
Receipts in advance ( <i>note</i> )		–	5,226
Contract liabilities ( <i>note</i> )		<b>8,227</b>	–
Product warranty provision		<b>4,343</b>	4,644
Other payables and accruals		<b>16,689</b>	17,978
Promissory note payable	<i>14</i>	<b>8,686</b>	–
Contingent cash consideration payable	<i>14</i>	<b>15,000</b>	–
Contingent share consideration payable	<i>14</i>	<b>31,246</b>	–
Total trade and other payables		<b>156,979</b>	72,556

*Note:* The Group has adopted HKFRS 15 using the cumulative effect method. Under this method, the comparative information is not restated and was prepared in accordance with HKAS 18.

## 13 CAPITAL AND RESERVES

### Dividends

The Board of Directors did not recommend the payment of an interim dividend for the six months ended June 30, 2018 (six months ended June 30, 2017: Nil).

## 14 ACQUISITION OF SUBSIDIARIES

On March 15, 2018, the Company's subsidiary, Harvest Year Global Limited (“**Harvest Year**”) entered into an agreement with the shareholder of North Mountain Information Technology Company Limited (“**NM Technology**”) to acquire 100% equity interest of NM Technology. On April 30, 2018 (“**the Acquisition Date**”), such acquisition has been completed and the Group obtained control of NM Technology.

The principal activities of NM Technology is investment holding, and through its PRC subsidiary, engaged in sales and distribution of electronic components in the PRC. The acquisition of NM Technology was made with the aim to allow the Group to collaborate with NM Technology to diversify its customer base, achieve vertical integration of the Group's business and broaden the Group's revenue stream in AMR business.

(a) Set forth below is the calculation of goodwill:

	<i>RMB'000</i>
<b>Consideration</b>	
— Cash paid	12,000
— Promissory note (i)	8,625
— Fair value of contingent cash consideration (ii)	15,000
— Fair value of contingent share consideration (iii)	<u>31,566</u>
Total consideration	67,191
Less: fair value of net identifiable net assets acquired (note b)	<u>(29,255)</u>
Goodwill (iv)	<u><u>37,936</u></u>

- (i) According to the sales and purchase agreement (the “SPA”), the Group is required to issue an unsecured, non-interest bearing promissory note with payment due date of 12 months from the Acquisition Date. The face value and fair value of the promissory note at the Acquisition Date was RMB9,000,000 and RMB8,625,000, respectively. The promissory note was included in trade and other payables (note 12) and measured at amortized cost. A finance cost of RMB61,000 was recognised in profit or loss for the current period accordingly.
- (ii) The SPA requires the Group to pay in cash of RMB15,000,000 to the shareholder of NM Technology with reference to certain performance indicators. At June 30, 2018, the performance target was achieved and the cash consideration was included in trade and other payables (note 12) as at June 30, 2018.
- (iii) According to the SPA, the final payment will be settled with newly issued ordinary shares of the Company at a conversion price of HK\$3.40 per share with a maximum amount of RMB45,000,000. The convertible amount will be adjusted by 9 times of any shortfall between the audited consolidated profit after tax (excluding extraordinary items) of NM Technology for the year ending December 31, 2018 and RMB9,000,000.

At the Acquisition Date, the fair value of the contingent share consideration of RMB31,566,000 was determined with reference to the quoted market price of the Company’s shares of HK\$2.88 (equivalent to RMB2.33) each at the Acquisition Date multiplied by the number of contingent consideration shares (ranges from 14,791,343 shares to 16,434,826 shares) based on the assessment of the probability of the contingent consideration as at April 30, 2018.

The fair value measurement is based on a significant input of discount for lack of marketability of 13% that are not observable in the market, which HKFRS 13 *Fair Value Measurement* refers to as Level 3 inputs.

The contingent share consideration payable is included in trade and other payables in the Group’s consolidated statement of financial position. The fair value had decreased to RMB31,246,000 as at June 30, 2018 due to a decrease in market price of the Company’s shares and the corresponding fair value change of RMB320,000 was recognised in profit or loss for the current period.

- (iv) Goodwill recognised on the acquisition is attributable mainly to the synergies and economies of scale expected from combining the operations of the Group and NM Technology. The goodwill recognised is not deductible for tax purposes.

(b) The major components of assets and liabilities arising from the acquisition are as follows:

	<b>Pre-acquisition carrying amount</b> <i>RMB'000</i>	<b>Fair value adjustment</b> <i>RMB'000</i>	<b>Recognised values on acquisition</b> <i>RMB'000</i>
Property, plant and equipment	156	–	156
Intangible assets ( <i>note 9</i> )	3	18,947	18,950
Deferred tax assets	191	–	191
Inventories	9,675	–	9,675
Trade and other receivables	41,693	–	41,693
Cash and cash equivalents	1,025	–	1,025
Trade and other payables	(37,526)	–	(37,526)
Income tax payable	(172)	–	(172)
Deferred tax liabilities	–	(4,737)	(4,737)
	<u>15,045</u>	<u>14,210</u>	<u>29,255</u>
Net identifiable assets	<u>15,045</u>	<u>14,210</u>	<u>29,255</u>

Intangible assets arising from the acquisition mainly represent customer relationship and non-compete undertakings. The Group has engaged an external valuation firm to perform fair value assessments on these assets in accordance with HKAS 38 *Intangible Assets* and HKFRS 3 (Revised) *Business Combination*.

The fair value of the trade and other receivables as at the Acquisition Date amounted to RMB41,693,000. The gross contractual amount was RMB42,455,000, of which RMB762,000 is expected to be uncollectible.

Acquisition-related costs of RMB360,000 have been charged to administrative expenses in the consolidated statement of profit or loss for the six months ended June 30, 2018.

**(c) Impact of acquisition on the results of the Group**

The post-acquisition revenue and net profit that NM Technology contributed to the Group during the six months ended June 30, 2018 are RMB28,709,000 and RMB2,765,000 respectively.

Had the acquisition occurred on January 1, 2018, management estimates that the Group's consolidated revenue and consolidated loss for the six months ended June 30, 2018 would have been RMB199,807,000 and RMB6,883,000 respectively.

**15 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD**

- (i) On July 25, 2018, the Company allotted and issued 370,118 ordinary shares pursuant to exercise of share options by a grantee under the Pre-IPO Share Option Scheme adopted on August 25, 2016.
- (ii) On July 31, 2018, the Company entered into a subscription agreement to issue convertible bonds in the principal amount of HK\$150,000,000 at coupon interest rate of 4% per annum to an independent investor. The convertible bonds will mature 24 months from the Issue Date and the maturity date may be extended to 36 months from the Issue Date at the request of the Company. At any time after the Issue Date prior to maturity, the holder of the convertible bonds shall have the right to convert in whole or in part the outstanding principal amount of the convertible bonds into such number of fully paid shares of the Company with an initial conversion price of HK\$2.50 per share which is subject to anti-dilutive adjustments arising from such events as defined in the subscription agreement. Details of the subscription agreement have been disclosed by the Company in its announcement dated July 31, 2018. The convertible bonds were subsequently issued on August 13, 2018.

- (iii) On July 31, 2018, the subscription agreement (the “**Previous Subscription Agreement**”) disclosed in note 27 to the Group’s 2017 annual financial statements entered on February 13, 2018 was mutually agreed by both parties to be terminated and all obligations of the Company and the Previous Subscriber have ceased and terminated as at July 31, 2018. Details of the termination of the Previous Subscription Agreement have been disclosed by the Company in its announcement dated July 31, 2018.
- (iv) As disclosed in note 27 of the Group’s 2017 annual financial statements, the Group entered into a conditional sales and purchase agreement to acquire the entire equity interest of Green Harmony Limited and its subsidiaries. The acquisition was completed on August 15, 2018. Details of completion of the acquisition have been disclosed by the company in its announcement dated August 15, 2018.

## **16 COMPARATIVE FIGURES**

The Group has adopted HKFRS 15 and HKFRS 9 at January 1, 2018. Under the transition methods chosen, comparative information is not restated. Further details of the changes in accounting policies are disclosed in note 3.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Market Review

Given the first batch of deployment of China's smart meters since 2010 gradually was expected to reach the end of useful life, State Grid Corporation of China (“**State Grid**”) was anticipated to enter in the next stage of bulk replacement of new generation smart meters in 2017. However, the introduction of relevant technical standards for the next generation smart meters experienced an unexpected delay until June 2017. State Grid released the “Low-Voltage PLC Interconnection and Intercommunication Technical Specification (Q/GDW11612–2016)” 《低壓電力綫寬帶載波通信互聯互通技術規範 (Q/GDW11612–2016)》 (the “**Standard**”), which was a code on general standard and technical requirements for broadband PLC technology for the next generation smart meters. The relevant methods and protocols were then clearly defined following multiple rounds of tests carried out by State Grid and market participants. Hence, a longer-than-expected progress of the development and finalization of the Standard was resulted. This consequently delayed the bulk procurement of next generation smart meters and thus affected the number of centralized biddings of smart meters conducted by State Grid in 2017, with only approximately 37.8 million units, representing a reduction of approximately 42% year-on-year.

It is anticipated that only two centralized biddings of smart meters will be conducted by State Grid in 2018 (2017: two biddings) with reference to the decrease in State Grid's bidding volume of smart meters conducted in the first half of 2018 as compared to the bidding volume conducted in the first half of 2017. State Grid has exhibited a trend of slow-down in its procurement of smart meters since 2017 in anticipation of the formal implementation of the Standard. It was considered that 2017 was a transitional year from narrowband to broadband PLC industry standard in the AMR application market. Further in the first half of 2018, State Grid did not indicate a strong and immediate demand for the PLC broadband products based on the bidding volume for the first-round tender conducted in the period.

### Business Review

During the Period under review, the Group operated in two major business segments (i) AMR business, the Group sold PLC products such as PLC ICs, modules and devices such as connectors and concentrators, which have been mainly used in the deployment and upgrade of AMR systems for smart meters by power grid companies in China as a key part of the smart grid infrastructure. The Group pioneered in developing PLC ICs with proprietary IC designs and advanced PLC technologies for the deployment of AMR systems by State Grid. In addition, the Group also provided maintenance services on AMR systems on a project-by-project basis; and (ii) Smart energy management (“**SEM**”) business, offering PLC products and solutions for a number of PLC applications related to energy saving and environmental protection. These applications include streetlight control, building energy management and photovoltaic power management.

During the Period under review, the Group's AMR business segment recorded a revenue of approximately RMB164.8 million (For the corresponding period in 2017: approximately RMB130.0 million), representing an increase of approximately 26.8%. Revenue from AMR business segment for the Period under review accounted for approximately 94.5% (For the corresponding period in 2017: approximately 94.7%) of the Group's total revenue. Increase in revenue from AMR business segment for the Period under review was mainly due to a significant increase in sales of PLC products to customers through trading sales and local biddings under State Grid and China Southern Power Grid Co., Ltd. ("**Southern Grid**") for the Period under review as compared to that of the corresponding period in 2017; notwithstanding a significant decrease in revenue from sales of PLC products to customers under State Grid centralized biddings for the Period under review as compared to that of the corresponding period in 2017. Such decrease in revenue was attributable to industrial cyclical variability given that the penetration of smart meters under State Grid's first-round commercial deployment was reaching saturation and that both the number of biddings and bidding volume of smart meters being conducted by State Grid under centralized biddings had experienced a temporary slowdown since 2017 in anticipation of a new industry standard for broadband PLC which was formally adopted in 2017. Revenue of approximately RMB9.5 million from the SEM business segment was recognized during the Period under review (For the corresponding period in 2017: approximately RMB7.2 million), representing an increase of approximately 31.9%. Revenue from SEM business segment for the Period under review accounted for approximately 5.5% (For the corresponding period in 2017: approximately 5.3%) of the Group's total revenue. The increase in revenue from SEM business segment during the Period under review was mainly due to the significant increase in the sales of streetlight control devices.

However, the Group had experienced a significant decrease in gross profit to approximately RMB47.2 million for the Period under review from approximately RMB72.6 million for the corresponding period in 2017, which was mainly attributable to a significant decrease in gross profit in the AMR business segment. The reasons for the significant decrease was primarily attributable to (a) a significant decrease in revenue from sales of PLC products to customers under State Grid centralized biddings (which earned a relatively higher gross profit margin in general) for the Period under review as compared to that of the corresponding period in 2017 as stated above, while (b) a significant increase in revenue from sales of PLC products to customers through trading sales and local biddings under State Grid and Southern Grid (which earned a relatively lower gross profit margin in general due to intense market and keen price competition during the industrial cyclical variability) for Period under review as compared to that of the corresponding period in 2017 while such had only partially compensated the significant decrease in the gross profit attributable to the decrease in revenue as stated in (a).

The Group recorded a net loss of approximately RMB9.2 million during the Period under review (For the corresponding period in 2017: a net profit of approximately RMB1.5 million) which was mainly attributable to significant decrease in gross profit for the Period under review as compared to the corresponding period in 2017 as stated above.

As a result, the Company recorded a loss attributable to equity shareholders of the Company for the Period under review of approximately RMB9.2 million (For the corresponding period in 2017: a net profit attributable to equity shareholders of the Company of approximately RMB1.5 million).



## **Research and Development**

As a high-tech company driven by research & development, the Group's research and development efforts are focused on enhancing the functionality of its products and addressing the technical needs of its customers, as well as expanding the Group's product portfolio for different PLC applications. Furthermore, the Group engaged several external research and development consultants with complementary expertise to collaborate with us in various research and development efforts, including those for the development of broadband PLC, the "PLC+RF" technology, as well as the driver implementation of its second-generation PLC ICs and software module development to complement the Group's mainframe host station development for the SEM business.

As of June 30, 2018, the research and development team of the Group consisted of 120 employees (as of December 31, 2017: 139 employees), representing approximately 34% (as of December 31, 2017: approximately 34%) of the Group's total workforce, specializing in PLC IC design and product development for the streetlight control systems and applications and the research and development focus on concentrators and host station software development for various SEM applications, and the streetlight control application for overseas markets.

As of June 30, 2018, the Group had successfully developed a significant intellectual property portfolio, comprising 43 patents, 75 computer software copyrights, 7 registered software products and 7 IC layout designs registered, with 14 patents pending registration in the relevant jurisdictions, signifying the Group's achievements in research and development of the PLC technology.

## **Financial Review**

### *Revenue*

Revenue increased from approximately RMB137.2 million for the corresponding period in 2017 to approximately RMB174.4 million for the Period under review, or by approximately 27.0%. This increase was mainly attributable to an increase of approximately RMB34.8 million in revenue from the AMR business, coupled with an increase of approximately RMB2.3 million in revenue from the SEM business.

### *Cost of sales*

Cost of sales increased from approximately RMB64.6 million for the corresponding period in 2017 to approximately RMB127.1 million for the Period under review, or by approximately 96.8%. The increase is mainly due to an increase in the cost of certain PLC products sold to customers through trading sales and local biddings under State Grid and Southern Grid.

### *Gross profit*

Gross profit decreased by approximately 35.0% to approximately RMB47.2 million for the Period under review from approximately RMB72.6 million for the corresponding period in 2017.



Gross profit margin was approximately 27.1% for the Period under review and has significant decreased from approximately 52.9% for the corresponding period in 2017. The reason for significant decrease in gross profit margin was attributable to a significant decrease in revenue from sales of PLC products to customers under State Grid centralized biddings (which earned a relatively higher gross profit margin in general) for the Period under review while a significant increase in revenue from sales of PLC products to customers through trading sales and local biddings under State Grid and Southern Grid (which earned a relatively lower gross profit margin in general due to intense market and keen price competition during the industrial cyclical variability) was resulted for the Period under review, as stated above.

#### *Other income*

Other income increased by approximately 15.3% to approximately RMB7.9 million for the Period under review from approximately RMB6.9 million for the corresponding period in 2017. The increase was mainly attributable to an increase in government grants for the Period under review to approximately RMB6.3 million as compared to approximately RMB5.9 million for the corresponding period in 2017.

#### *Sales and marketing expenses*

Sales and marketing expenses slightly increased by approximately 1.3% to approximately RMB25.6 million for the Period under review from approximately RMB25.3 million for the corresponding period in 2017. This increase was mainly attributable to increases in customer service expenses and marketing and travelling expenses which were in line with the increase in revenue for the Period under review.

#### *General and administrative expenses*

General and administrative expenses decreased by approximately 11.2% to approximately RMB26.8 million for the Period under review from approximately RMB30.2 million for the corresponding period in 2017. The decrease was mainly attributable to the expenses of approximately RMB12.9 million incurred by the Group in relation to listing of shares of the Company (the “**Listing**”) on the Main Board of the Stock Exchange on June 9, 2017 during the corresponding period in 2017 while no such expense was incurred during the Period under review partially compensated an increase of approximately RMB5.0 million of professional fees incurred during the Period.

#### *Research and development expenses*

Research and development expenses decreased by approximately 36.2% to approximately RMB17.7 million for the Period under review from approximately RMB27.7 million for the corresponding period in 2017. This decrease was mainly attributable to that certain professional expenses of approximately RMB6.8 million in relation to the development of broadband PLC were not qualified for capitalization as intangible asset during the corresponding period in 2017; while such professional expenses were not recurred during the Period under review, and as a result, the research and development expenses charged to profit and loss for the Period under review decreased.

### *Finance costs*

For the Period under review, the Group's finance costs amounted to approximately RMB0.1 million (For the corresponding period in 2017: RMB0.2 million). The finance cost for the Period under review was attributable to an imputed interest on the promissory note payable in relation to settlement of the consideration of acquisition of NM Technology during the Period.

### *Income tax credit*

Income tax credit increased by approximately 3.9% to approximately RMB5.5 million for the Period under review from approximately RMB5.3 million for the corresponding period in 2017. Income tax credit was recorded for the Period under review which was mainly attributable to a change in the tax rate used to recognise deferred tax assets and liabilities expected to be utilised after the year 2018 from 15% to 25% of Risecomm Microelectronics (Shenzhen) Co., Ltd. ("**Risecomm WFOE**"), a PRC subsidiary of the Group, which was entitled to the preferential tax rate of 15% for years 2016 to 2018, being accredited as a High and New Technology Enterprise according to the PRC Corporate Income Tax Law and its relevant regulations, as Risecomm WFOE has not renewed the qualification of High and New Technology Enterprise as at June 30, 2018 and does not expect to obtain a renewal of the qualification by the end of 2018.

### *Loss Attributable to Equity Shareholders of the Company*

As a result of the above factors, the Company recorded a loss attributable to equity shareholders of the Company for the Period under review of approximately RMB9.2 million (For the corresponding period in 2017: a net profit attributable to equity shareholders of the Company of approximately RMB1.5 million).

### *Liquidity and Financial Resources*

Following the Listing, the Group's operations were mainly financed by internal resources including but not limited to existing cash and cash equivalents, anticipated cash flow from its operating activities and the net proceeds generated from the Listing. The Board believes that the Group's liquidity needs will be satisfied. With strengthened liquidity position, the Group is able to expand in accordance with its business strategy.

As of June 30, 2018, the Group's current assets amounted to approximately RMB445.6 million (as of December 31, 2017: approximately RMB415.2 million), with cash and cash equivalents totaling approximately RMB166.7 million (as of December 31, 2017: approximately RMB184.6 million). The cash and cash equivalents of the Group are principally held in RMB and USD.

As of June 30, 2018, the Group's total interest-bearing liabilities amounted to RMB8.7 million (as of December 31, 2017: Nil) for which the whole amount of the liabilities will be due to repay within one year with an imputed-interest rate of 4.4% per annum. The gearing ratio (total interest-bearing liabilities divided by total assets) was approximately 1.5% as of June 30, 2018 (as of December 31, 2017: Not applicable).

Taking into account the Group's existing cash and cash equivalents, anticipated cash flow from its operating activities and the net proceeds generated from the global offering, the Board believes that the Group's liquidity needs will be satisfied.

#### *Exchange rate risk*

Most of the businesses of the Group are settled in Renminbi while businesses in foreign currencies are mainly settled in USD. The fluctuation of exchange rate of both currencies will have certain impact on the Group's business which are settled in foreign currencies. During the Period under review and in the corresponding period of 2017, the Group did not enter into any foreign exchange forward contracts or other hedging instruments to hedge against fluctuations.

#### *Capital commitments*

As of June 30, 2018, the Group had no material capital commitments (as of December 31, 2017: approximately RMB0.2 million).

#### *Contingent liabilities*

As of June 30, 2018, the Group had no contingent liabilities (as of December 31, 2017: Nil).

#### *Charge on assets*

As of June 30, 2018, the Group had restricted bank deposits of approximately RMB18.8 million for arrangement of commercial bills with relevant banks for settlement of trade payables (as of December 31, 2017: Nil).

### **EVENTS AFTER THE REPORTING PERIOD**

References are made to the announcement dated February 13, 2018 in relation to the previous proposed issue of convertible bonds under the previous general mandate and the announcements dated March 23, 2018 and May 31, 2018 in relation to the extension of the convertible bonds long stop date. On July 31, 2018, the Company announced that due to certain conditions precedent not fulfilled in the previous subscription agreement dated February 13, 2018 (the "Previous Subscription Agreement") entered into between the Company and Dongxing Securities (Hong Kong) Financial Holdings Limited (東興證券(香港)金融控股有限公司) (the "Previous Subscriber"), the Company and the Previous Subscriber mutually agreed to terminate the Previous Subscription Agreement, and all obligations of the Company and the Previous Subscriber have ceased and terminated as at July 31, 2018.

On July 31, 2018, the Company entered into a subscription agreement to issue convertible bonds in the aggregate principal amount of HK\$150,000,000 at coupon interest rate of 4% per annum to Software Research Associates, Inc., an independent investor. The convertible bonds will mature 24 months from the Issue Date and may be extended to 36 months from the Issue Date at the request of the Company. At any time after the Issue Date prior to maturity, the holder of the convertible bonds shall have the right to convert in whole or in part the outstanding principal amount of the convertible bonds into such number of fully paid shares of the Company with an initial conversion price of HK\$2.50 per share which is subject to anti-

dilutive adjustments arising from such events. Please refer to the announcement of the Company dated July 31, 2018 for further details of the subscription agreement. The convertible bonds were subsequently issued on August 13, 2018.

## **Prospects**

Although the Group had encountered the temporary headwind over the demand in the AMR business segment, the Group still aims to be a leading PLC technology company and turnkey solutions provider in China by offering a full range of products and solutions across its AMR business and its strategically selected areas of SEM applications. As smart meters in China are expected to enter into a new phase of upgrades from 2018 onward, the centralized bidding volume of smart meter conducted by State Grid and Southern Grid is expected to grow in next five years. The Group is still in confident that the demand for PLC products will be soon recovered once the deployment of broadband PLC products is affirmed. Leveraging with the capabilities in PLC technology and research and development, the Group will keep its best endeavor to continue in expanding the market share and strengthen the Group's market position.

Furthermore, under the SEM business segment, the Group applies its proprietary PLC technology in its SEM products and solutions to facilitate data transmission and communications for remote controlling and monitoring energy consuming equipment and devices for better energy management and conservation. The Group considers PLC-based SEM systems to have significant market potential particularly in industrial and enterprise applications, for reason that PLC technology offers higher stability and cost effectiveness for remote controlling and monitoring energy consumption systems distributed over an extended land site or multiple buildings. Moreover, this is considered to be a sound and natural progression under the Group's core business and technologies and can serve to further expand the Group's customer base, generate new revenue stream and alleviate its reliance on China's power distribution sector.

Having successfully established business relationships with reputable industrial players in the SEM business segment in the past years, the Group has been looking for ways to expand its PLC products and solution offerings to other areas of industrial applications. The Group is of the view that its core competency in PLC solutions possesses significant untapped potential for other industrial applications such as industrial automation systems, where production facilities, machineries and equipment are typically linked and powered by established power-lines and cables, essentially ready for implementation of PLC applications to enable/enhance automation, remote control and monitoring. With a national industrial upgrade promoted by the Chinese government, the Group believed that the growth of China's industrial automation market would continue to be healthy given its relatively lower penetration rate and continuous rising cost in human resources. As petrochemical enterprises are the pioneer of the manufacturing sector in China, major market participants are building smart oil fields, smart pipelines and smart factories. Therefore, in December 2017, the Company entered into a conditional sales and purchase agreement to acquire a business in China, which principally engaged in the field of industrial automation systems, particularly in the area of maintenance and safety integrity system ("MSI") for the petroleum and petrochemicals industry in view of tapping into the enormous market with significant growth potential and completion of this acquisition took place on August 15, 2018.

Along with the policy “《信息化和工業化深度融合專項行動計劃 (2013–2018 年)》” issued by the Ministry of Industry and Information Technology, it is expected that the Chinese government will support the petrochemical industry to further develop its information system in order to reform the energy sector. This acquisition can induce potential synergies and benefits that can serve to expedite the Group’s goal of expanding its non-AMR revenue contribution to achieve a more balanced revenue composition, lessen its exposure to the inherent risk of reliance on China’s power grid ecosystem, and overall expand its revenue stream and further diversify its customer base.

This acquisition also opens up an enormous opportunity for the Group to have direct access for promoting its other SEM products and solutions to customers in the petroleum and petrochemicals industry (which is relatively closed and highly guarded, particularly the upstream segment). The Directors believed that, given the opportunity, the Group would be able to reduce significant time and uncertainty as well as substantial pre-marketing and pilot project costs to enter into this industry in the near to medium term.

Lastly, apart from the above acquisition, the Group plans to further invest in other areas in the SEM business, such as streetlight control, building energy management and photovoltaic power management to achieve revenue growth from this business segment in view of the increasing government policies and industry initiatives in support of energy conservation and environmental protection, especially those under the 13th Five-Year Plan of National Economy and Social Development issued by the Chinese government. The Group also plans to strengthen its sales and marketing efforts, not only in AMR business but also in SEM business in order to expand its customer base for each of these strategically selected SEM applications.

The Group also intends to progressively expand the sales channels, conduct marketing and promotion activities to enhance brand recognition in both AMR and SEM markets. In April 2018, the Group completed the acquisition of NM Technology, which principally engaged in sales and distribution of electronic components, in particular for ICs and related products in China. The Group considered this acquisition is aligned with its business strategy in respect of the Group’s expansion in AMR business markets. Please refer to the paragraph headed “Material Acquisition and Disposal of Subsidiaries and Associated Companies” in this announcement for further details.

## **OTHER INFORMATION**

### **Interim Dividend**

The Board did not recommend the payment of an interim dividend for the Period.



## **Compliance with the Corporate Governance Code of the Listing Rules**

The Board has adopted the code provisions of the Corporate Governance Code (the “**CG Code**”) as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”). The Board has reviewed the Company’s corporate governance practices and is satisfied that the Company has complied with the code provisions set out in the CG Code during the Period under review. The Board will continue to review and monitor the corporate governance status of the Company for the purpose of complying with the CG Code and maintaining a high standard of corporate governance of the Company.

## **Model Code for Securities Transactions by Directors**

The Company has adopted a code of conduct regarding Directors’ transactions in securities of the Company (the “**Company’s Code**”) on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) set out in Appendix 10 to the Listing Rules. After specific enquiry made by the Company, all of the Directors confirmed that they have complied with the required standard set out in the Model Code and the Company’s Code during the Period under review.

## **Material Acquisition and Disposal of Subsidiaries and Associated Companies**

In March 2018, Harvest Year, a direct wholly owned subsidiary of the Company, entered into a conditional SPA to acquire NM Technology, which directly holds the entire equity interest of a company established in China, which principally engages in sales and distribution of electronic components, in particular for ICs and related products in China. This acquisition was completed on April 30, 2018.

Pursuant to the SPA, if it is revealed by the unaudited consolidated management accounts of the NM Technology that NM Technology achieves a consolidated profit after tax (excluding extraordinary items) in an amount of not less than RMB3 million for the period commencing from January 1, 2018 up to the relevant accounts date of the unaudited consolidated management accounts of NM Technology (“**Performance Target**”), Harvest Year shall pay to NM Infotech Company Ltd (“**Vendor**”) RMB15 million (the “**Third Payment**”) in cash for payment of part of the consideration (“**Consideration**”) for the acquisition. NM Technology has achieved the Performance Target and Harvest Year has paid to the Vendor the Third Payment in cash for payment of part of the Consideration in July 2018. The final payment of the Consideration (subject to adjustment and deduction) will be determined and settled by the allotment and issue of consideration shares by the Company to the Vendor pursuant to the terms of the SPA and such is expected to occur in 2019. Please refer to the announcements of the Company dated March 15, 2018, April 30, 2018 and July 20, 2018 for further details.

In December 2017, the Company entered into a conditional sale and purchase agreement to acquire a company, which indirectly holds the entire equity interest of a group of companies established in China, which is principally engaged in the provision of MSI for the petroleum and petrochemicals industry. This acquisition has been completed on August 15, 2018. Please refer to the announcements of the Company dated December 1, 2017, December 28, 2017, January 3, 2018, January 10, 2018, February 12, 2018, March 23, 2018, May 31, 2018 and August 15, 2018 for further details.

Saved as disclosed above, during the Period under review, there was no other material acquisition or disposal of subsidiaries or associated companies.

### **Purchase, Sale or Redemption of Listed Securities of the Company**

During the Period under review, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

### **Use of Proceeds From Initial Global Offering**

References are made to the announcements of the Company dated June 8 and June 21, 2017. The aggregated net proceeds from the global offering of the shares of the Company in connection with the Listing and exercise of the over-allotment option by China Galaxy International Securities (Hong Kong) Co., Limited (on behalf of the International Underwriters (as defined in the prospectus of the Company dated May 29, 2017 (the "**Prospectus**"))) was approximately HK\$158.2 million. Proposed application of net proceeds as stated in the Prospectus had been adjusted according to the principles as specified in the section headed "Future Plans and Use of Proceeds" of the Prospectus.

During the Period under review, the net proceeds had been applied for as follows:

	<b>Actual Net proceeds</b> <i>HK\$'million</i>	<b>Amount utilized as of June 30, 2018</b> <i>HK\$'million</i>	<b>Unutilized net proceeds as of June 30, 2018</b> <i>HK\$'million</i>
Research and development of the PLC technology	95.7	22.1	73.6
Sales and marketing	32.0	3.7	28.3
Repayment of an entrusted bank loan	14.7	14.7	–
Working capital and general corporate purposes	15.8	15.8	–
	158.2	56.3	101.9

As of the date of this announcement, the Company does not anticipate any change to the above plan of use of proceeds.

### **Employee Information**

The emolument policy of the employees of the Group is set up by the management on the basis of their merits, qualifications and competence.

As of June 30, 2018, the Group had an aggregate of 350 employees (as of December 31, 2017: 410 employees). The Group recruited and promoted individual persons according to their strengths and development potential. The Group determined the remuneration packages of all employees including the directors with reference to individual performance and current market salary scale.

The Group is dedicated to the training and development of its employees. The Group leverages its research and development capabilities and other resources to ensure that each employee maintains a current skill-set through continuous training. The Group provides introductory training and orientation for all new employees, as well as on-the-job training to continually improve its employees' technical, professional and management skills. The Company has also adopted a share option scheme for the purpose of providing incentives and rewards to eligible participants, including the employees of the Group, who contribute to the success of the Group's operations.

### **Audit Committee and Review of Interim Financial Results**

The audit committee of the Company (the “**Audit Committee**”) is responsible for assisting the Board in safeguarding the Group's assets by providing an independent review of the effectiveness of the financial reporting process and the internal controls and risk management systems of the Group. It also performs other duties as assigned by the Board.

The Audit Committee has discussed with the management of the Group and reviewed the unaudited interim financial results of the Group for the Period, including the accounting principles and practices adopted by the Group, and discussed financial related matters. The interim financial report of the Group for the Period has been reviewed by the auditors of the Company, KPMG.

### **PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT**

This announcement is published on the website of the Stock Exchange at [www.hkex.com.hk](http://www.hkex.com.hk) and on the website of the Company at [www.risecomm.com.cn](http://www.risecomm.com.cn). The interim report for the Period containing all the information required by Appendix 16 to the Listing Rules will be despatched to the shareholders of the Company and will be published on the aforesaid websites of the Stock Exchange and the Company in due course in accordance with the Listing Rules.

By the order of the Board  
**Risecomm Group Holdings Limited**  
**Yue Jingxing**  
*Executive Director and Chief Executive Officer*

Hong Kong, August 30, 2018

*As of the date of this announcement, the executive Directors are Mr. Yue Jingxing, Mr. Zhang Youyun and Mr. Zhou, Francis Bingrong, the non-executive Directors are Mr. Wang Shiguang and Mr. Lau Wai Leung, Alfred and the independent non-executive Directors are Mr. Pan Song, Mr. Chen Yong and Mr. Ong King Keung.*